

Multifield

Multifield International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 0898)

2005
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Lau Chi Yung, Kenneth

(Chairman)

Lau Michael Kei Chi

(Vice-Chairman)

Independent Non-executive Directors

Choy Tak Ho

Lee Siu Man, Ervin

Wong Yim Sum

COMPANY SECRETARY

Poon Chun Shing, Edwin

PRINCIPAL BANKERS

Fortis Bank, Hong Kong Branch

The Bank of China (Hong Kong) Limited

Wing Hang Bank Limited

United Commercial Bank

AUDITORS

HLB Hodgson Impey Cheng

SOLICITORS

Cheung, Tong & Rosa

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

PRINCIPAL PLACE OF BUSINESS

8th Floor

Multifield House

54 Wong Chuk Hang Road

Hong Kong

PRINCIPAL SHARE REGISTRAR & TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke

Bermuda

HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

Tengis Limited

26/F., Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

CHAIRMAN'S STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

Nobody would agree 2005 was a very difficult year for Hong Kong since Hong Kong's real GDP growth of 7.3% was recorded in 2005 and solid export growth and domestic demand continued to support a steady recovery. Throughout the year, the Group again remained very focused in its core rental business and concentrated its effort on maintaining its market position in both Hong Kong and Shanghai.

What was particularly noteworthy in this year was the changes and the consequences in the adoption of a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which have been effective for accounting periods beginning on or after 1 January 2005. Of particular importance, the Group has recognized a fair value gain on investment properties of HK\$54 million in the current year.

In respect of the Hong Kong property portfolios, the Group continued to maintain an occupancy rate close to 85% with no significant drop in overall rental value. In view of the good potential growth in the Hong Kong property market, the Group acquired four properties amounted to HK\$68 million in the second half of 2005 in order to further strengthen our solid base of recurring income.

We are proud of the performance of the Group's property investment in Shanghai since the Group's Shanghai service apartment chain continuously contributed a strong return of investment with consistently high occupancy rate of over 90%. Despite the State and the local government of Shanghai City intensified their macro-economic controls on the property industry and property market, the Group is of the view that the property industry in Shanghai will continue to grow steadily after necessary adjustments.

We anticipate that the future is bright for the Group as a result of our good achievements in the past several years. The Board and management of the Group are dedicated to maximizing the shareholders' wealth. We will under the principle of prudence carefully while actively identify new development projects opportunities. Taking this opportunity, I would like to thank all shareholders and employees for their support and contribution in the past year.

Lau Chi Yung, Kenneth
Chairman

Hong Kong, 19 April 2006

MANAGEMENT

DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year of 2005, the Group focused principally in its core rental and international steel trading businesses. During the year, the Group maintained a steady growth and recorded net profit of approximately HK\$148 million, an increase of 30% as compared with 2004.

PROPERTY INVESTMENT

Shanghai

We are proud of the performance of the Group's Shanghai segment. The Group's Shanghai service apartment chain, operating under the name "Windsor Renaissance", has already built up a market niche in Shanghai and continuously contributed a strong return of investment with consistently high occupancy rate of over 90%. The expatriate community in Shanghai has regarded "Windsor Renaissance" a symbol of high quality service apartments and our tenant base covers hundreds of multinational corporations from all over the world. At present, a portfolio of around 400 service apartments and villas are under our management.

Hong Kong

The Group maintained an occupancy rate close to 85% for its investment properties in Hong Kong and received stable gross rental revenue of approximately HK\$31 million (2004: HK\$29 million) from such properties in Hong Kong for the year ended 31 December 2005.

To strengthen our solid base of recurrent earning growth, the Group acquired four properties amounted to approximately HK\$68 million in the second half of 2005.

STEEL TRADING

2005 was still a year with intense competition in the international steel trading as a result of the control measures introduced by the central government. Steel prices fluctuated significantly and customers were not willing to acquire bulk volume and accumulate stock of steel products at comparatively high price. Against this background, with an established worldwide network of supplier and customer base and successful business methodology adopted, the Group has again uphold its market position. For the year of 2005, our steel trading division recorded a trading volume of steel products of approximately 322,000 mt with a turnover of HK\$1,143 million, representing a significant increase of 117% over the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong and Shanghai. As at 31 December 2005, the Group had outstanding bank loans and other interest-bearing borrowings amounting to approximately HK\$794 million, which were secured by legal charges on certain investment properties in Hong Kong and Shanghai. As at 31 December 2005, among the total outstanding borrowings, HK\$66 million are repayable within one year, HK\$65 million are repayable in the second year with the remaining balance repayable beyond the second year. The Group's cash and bank balances and short term bank deposits as at 31 December 2005 amounted to approximately HK\$218 million. The Group's gearing ratio as at 31 December 2005 was approximately 29% based on the total borrowings of approximately HK\$794 million and the aggregate of the shareholders' funds, minority interests and total borrowings of approximately HK\$2,726 million.

PERSONNEL

As at 31 December 2005, the Group had a total of 480 employees, of whom 450 were based in the PRC and 30 in Hong Kong. The remuneration packages of the Group's employees are mainly based on their performance and experience, taking into account current industry practices.

In addition to the provision of provident fund scheme, medical allowance, in-house and external training programs, discretionary bonus and share option scheme are also available to employees based on their performance. The remuneration policy and packages of the Group's employees are reviewed regularly.

PROSPECTS

Despite the growing pressure from high oil prices and rising interest rates, Hong Kong's real GDP growth of 7.3% was recorded in 2005 as solid export growth and domestic demand continued to support a steady recovery. Housing demand remains strong and rental rates continue to grow since buyers' and tenants' confidence is bolstered by strengthening economic prospect and rising income of buyers. To strengthen our solid base of earning growth, the Group will continue to enhance its investment portfolio through its progressive yet steady growth strategy, focused on seeking for appropriate land bank and good investment opportunities.

During the year of 2005, the State and the local government of Shanghai City intensified their macro-economic controls on property industry and property market. The control measures implemented by the government were aimed to suppress speculative demands by controlling demand and supply. We believed that it is good to see that property industry and property market in Shanghai have paved a healthy, orderly, stable development trend ultimately. Besides, the year of 2006 is the first year of the Eleventh-Five Year Social and National Economic Plan of the PRC. According to the major economic benchmarks under the "Eleventh-Five Year Plan" of Shanghai, it was aimed to maintain the economic growth rate at 9% or above and carry out urban re-development for old zones that classified as Class II or below at a target of 4 million square meters.

In view of the prosperous economic development trend of the Mainland China and Shanghai, the Group is of the view that the property industry in Shanghai will continue to grow steadily after necessary adjustments. Indeed, we feel very optimistic about our service apartment chain operation in Shanghai, as we have already established a firm footing and a strategic presence in Shanghai to deliver solid performance in this sector of business. The Group will under the principle of prudence carefully while actively identify development projects that have potential for development, and put much effort on identifying new development projects opportunities and high quality land banks for future growth in Shanghai. We strongly believe that the Group is heading the right direction and is extremely well placed to capitalize on this exciting opportunity.

Regarding our international steel trading business, the Group will continue to deliver solid performance into the future after further development of its supplier and customer base in previous years. We forecasted that the coming year would still be a hard time for international steel market and accordingly, continuous effort has also been devoted to develop outsourcing and expanding business opportunities.

It is envisaged that the Group will continue to develop its core business activities in the Asia Pacific regions. The achievements in the past several years, which brought the Group to its current strong position, allowed us to look forward with confidence about the future.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LAU Chi Yung, Kenneth, aged 46, is the Chairman, Managing Director and founder of the Company. Mr Lau has over 20 years' experience in property investment and development and is responsible for the overall policymaking, investment and business development of the Group. Mr. Lau is currently the Chairman of Oriental Explorer Holdings Limited ("Oriental Explorer"), a company engaged in metal trading and manufacturing businesses and its shares are listed on The Stock Exchange of Hong Kong Limited.

Mr. LAU Michael Kei Chi, aged 52, is the Vice Chairman and Deputy Managing Director of the Company. He is responsible for the overall planning, marketing and operations of the Group's service apartment business. Prior to joining the Group in 1997, he had over 14 years' experience in project development and management. Mr. Lau is currently the Vice Chairman of Oriental Explorer and is the brother of Mr. Lau Chi Yung, Kenneth.

Independent Non-executive Directors

Mr. CHOY Tak Ho, aged 77, joined the Group in May 1999. He is a member of the 9th National Committee of the Chinese People's Political Consultation Conference, the Executive Committee Member of the 8th All China Federation of Industry and Commerce and the Executive Committee Member of the Chinese Manufacture Association of Hong Kong. He also served as a member of the Selection Committee of the First Government of the Hong Kong Special Administrative Region. He is the Honorary Life Chairman of the Chinese General Chamber of Commerce H.K., the Charter President of Hong Kong and Overseas Chinese Association of Commerce Limited and the Charter President of Hong Kong Kwun Tong Industries and Commerce Association Limited.

Mr. LEE Siu Man, Ervin, aged 49, is a Registered Architect and Authorized Person in Hong Kong. He is a member of the Hong Kong Institute of Architects and the Royal Australian Institute of Architects, and the founder and currently the Managing Director of Fotton-ELA Architects Ltd. and Fotton-ELA Consultants Ltd. which provide comprehensive services including architecture, civil, structural and geotechnical engineering, town planning and estate surveying in the building and development field. In early 1999, Mr. Lee has also been elected as the Director of the Board of Directors of the Pok Oi Hospital and the President of North Kowloon Lions Club, both for the year 1999/2000.

Mr. WONG Yim Sum, aged 40 is currently the Managing Director of Conpak CPA Limited, a firm of certified public accountants in Hong Kong. Mr. Wong has extensive experience in the finance and auditing fields and is currently practicing as a certified public accountant. He is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and the Association of Chartered Certified Accountants (ACCA).

Senior Management

Mr. POON Chun Shing, Edwin, aged 47, is the director of the Shanghai Division and is responsible for the overall activities in property investment, property development, project management and property management in Shanghai. Further, Mr. Poon is the Group Financial Controller and Company Secretary of the Company. He joined the Group in 1996 and has extensive experience in finance, accounting, company secretarial practice and property business in Shanghai. He is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and the Institute of Chartered Secretaries and Administrators, and holds a bachelor's degree in commerce from University of Queensland, Australia.

Mr. KWAN Chi Fai, aged 44, joined the Group in 2000 as the Financial Controller. He has over 20 years' experience in finance and accounting. He is a Certified Management Accountant, a member of the Hong Kong Institute of Certified Public Accountants and the Association of International Accountants.

BRIEF BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Senior Management *(continued)*

Ms. SIU Wai King, Donna, aged 41, is the Manager of Property and Leasing Division of the Group and is responsible for the business of leasing commercial and residential properties in Hong Kong. She joined the Group in 1992 and has over 15 years' experience in property leasing.

Ms. ZHU Huai Jun, aged 57, is the Financial Controller of the PRC Division and is responsible for the accounting matters in the PRC. She joined the Group in 1996 and has over 25 years' experience in the area of accounting and finance.

Mr. NAGATA Tetsuya, aged 50, joined the Group in September 2002 as the General Manager of the Electronics Division in the Group. He has over 28 years' experience in overseas marketing and business development. He graduated from Meiji University, Tokyo with a bachelor's degree in commerce and had been working at Japanese trading firm for 13 years and Hong Kong based electronics manufacturing firm for 12 years. He is the Associate Director of the Group and is responsible for marketing and business development of the Group.

REPORT OF THE DIRECTORS

The directors present herewith their report and the audited financial statements of the Company and the Group for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2005 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 19 to 81.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2005.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results and assets, liabilities and minority interests of the Group for the last five-financial years. The information has been extracted from the published audited financial statements of the Company, after appropriate adjustments and reclassifications. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(Restated)</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	1,319,655	701,466	334,252	101,890	110,891
Operating profit	193,533	134,152	104,688	63,334	73,469
Finance costs	(27,786)	(13,070)	(24,340)	(27,012)	(44,910)
Share of profits and losses of associates	—	—	(621)	1,696	4,703
Negative goodwill on acquisition of interest in an associate recognised as income	—	—	633	13,290	5,715
Profit before income tax	165,747	121,082	80,360	51,308	38,977
Income tax	(18,082)	(7,537)	1,521	(7,401)	(4,940)
Profit for the year	147,665	113,545	81,881	43,907	34,037
Attributable to					
Equity holders of the Company	126,597	81,262	54,730	30,648	20,419
Minority interests	21,068	32,283	27,151	13,259	13,618
	147,665	113,545	81,881	43,907	34,037

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> <i>(Restated)</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Total assets	3,332,662	2,981,132	2,781,803	2,200,944	1,944,340
Total liabilities	(1,400,830)	(1,312,713)	(1,499,922)	(1,257,121)	(1,100,907)
Minority interests	(697,523)	(667,104)	(564,648)	(288,662)	(294,887)
	1,234,309	1,001,315	717,233	655,161	548,546

Total assets as at 31 December 2004 have been restated as a result of the prior year adjustments in respect of the adoption of Hong Kong Accounting Standard 17 "Leases" issued by the Hong Kong Institute of Certified Public Accountants. Figures for the years 2003, 2002 and 2001 have not been restated as it is not practicable to restate earlier years for comparison purposes.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively. Further details of the Group's investment properties are set out on pages 82 to 84.

PROPERTIES HELD FOR SALE

Details of the Group's properties held for sale are set out in note 21 to the financial statements. Further details of the Group's properties held for sale are set out on page 82.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company during the year are set out in notes 31 and 32 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2005, the Company's reserves available for cash distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to approximately HK\$858,020.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 87% of the total sales for the year and sales to the largest customer included therein amounted to 63%. Purchases from the Group's five largest suppliers accounted for 88% of the total purchases for the year and purchases from the largest supplier included therein amounted to 23%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Lau Chi Yung, Kenneth *(Chairman)*
Mr. Lau Michael Kei Chi *(Vice-Chairman)*

Independent non-executive directors

Mr. Choy Tak Ho
Mr. Lee Siu Man, Ervin
Mr. Wong Yim Sum

The Company has received annual confirmation from each of the independent non-executive directors as regards their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

In accordance with the Company's bye-laws, Mr. Lau Michael Kei Chi, Mr. Choy Tak Ho, Mr. Lee Siu Man, Ervin and Mr. Wong Yim Sum will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 6 to 7 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from those transactions disclosed in note 38 to the financial statements, no director had a material interest, either directly or indirectly, in any material contract of significance to the business of the Group to which the Company, or any of its holding companies or subsidiaries was a party during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2005, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (continued)

Long position in ordinary shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Mr. Lau Chi Yung, Kenneth	Corporate	<u>2,685,515,712</u>	<u>64.24</u>

The above shares are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

Long position in shares and underlying shares of associated corporation

Name of director	Name of associated corporation	Relationship with the Company	Shares/Equity derivatives	Number of shares/equity derivatives held	Capacity and nature of interest	Percentage of associated corporation's issued share capital
Mr. Lau Chi Yung, Kenneth	Oriental Explorer Holdings Limited	Company's subsidiary	Ordinary shares	1,020,268,999	Corporate	56.68
			Share options	19,500,000	Directly beneficially owned	N/A

The interest of Mr. Lau Chi Yung, Kenneth in the shares of Oriental Explorer Holdings Limited are ultimately controlled by Power Resources Holdings Limited as the trustee of the Power Resources Discretionary Trust, a family discretionary trust, the discretionary objects of which include Mr. Lau Chi Yung, Kenneth and his family.

In addition to the above, a director has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 December 2005, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in, or debentures of, the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies or subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

	Notes	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
Power Resources Holdings Limited	(a)	Through a controlled corporation	2,685,515,712	64.24
Lucky Speculator Limited	(a)	Directly beneficially owned	2,195,424,000	52.52
Desert Prince Limited	(a)	Directly beneficially owned	490,091,712	11.72
Choi Koon Shum Jonathan	(b)	Through a controlled corporation	281,665,344	6.74
Lam William Ka Chung	(c)	Through a controlled corporation	281,665,344	6.74
Lam Wong Yuk Sin Mary	(c)	Through a controlled corporation	281,665,344	6.74
Kingsway International Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Innovation Assets Limited	(d)	Through a controlled corporation	281,665,344	6.74
World Developments Limited	(d)	Through a controlled corporation	281,665,344	6.74
SW Kingsway Capital Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Kingsway China Holdings Limited	(d)	Through a controlled corporation	281,665,344	6.74
Festival Development Limited	(d)	Through a controlled corporation	281,665,344	6.74
Opel Dragon Investments Limited	(d)	Directly beneficially owned	281,665,344	6.74

Notes:

- Power Resources Holdings Limited was deemed to have a beneficial interest in 2,685,575,712 ordinary shares of the Company by virtue of its indirect interests through Lucky Speculator Limited and Desert Prince Limited, the wholly-owned subsidiaries, which held shares in the Company.
- Mr. Choi Koon Shum Jonathan, who beneficially own or control approximately 48.18% of and in the issued share capital of Kingsway International Holdings Limited ("Kingsway International") and is deemed (by virtue of the SFO) to be interested in shares in, or debenture of, the subsidiaries of Kingsway International.
- Mrs. Lam Wong Yuk Sin Mary and her spouse, Mr. Lam William Ka Chung, who together beneficially own or control approximately 40% of and in the issued share capital of Kingsway International and are deemed (by virtue of the SFO) to be interested in the shares in, or debenture of, the subsidiaries of Kingsway International.
- Kingsway International was deemed to have beneficial interests in 281,665,344 ordinary shares of the Company by virtue of its direct interests through Innovation Assets Limited, World Developments Limited, SW Kingsway Capital Holdings Limited, Kingsway China Holdings Limited and Festival Development Limited and Opal Dragon Investments Limited ("Opal"). Opal is directly held shares in the Company.

Save as disclosed above, as at 31 December 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 38 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company to fill the casual vacancy created by the resignation of Messrs. Ernst & Young with effect from 31 December 2004. Save as aforesaid, there had been no other changes of the Company's auditors in the past three financial years.

A resolution for the reappointment of HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Lau Chi Yung, Kenneth

Chairman

Hong Kong

19 April 2006

CORPORATE GOVERNANCE REPORT

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality Board, sound internal control, transparency and accountability to all shareholders.

The Code of Best Practice set out in Appendix 14 to the Listing Rules was replaced by the CG Code which has become effective for accounting periods commencing on or after 1 January, 2005.

BOARD COMPOSITION AND BOARD PRACTICE

The Board is mandated to promote the success of the Company by providing leadership and supervising control of Group's business.

Currently, the Board comprises two executive directors and three independent non-executive directors. The Board, led by Mr. Lau Chi Yung, Kenneth is responsible for the approval and monitoring of the Group's overall strategies and policies, approval of annual budgets and business plans; evaluating the performance of Group; and oversight of management. The Chairman ensures that the Board works effectively and discharges its responsibilities. All directors have been consulted on all major and material matters of the Company. With the support of the Company Secretary, the Chairman seeks to ensure that all directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner.

Save as disclosed below, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2005.

- (a) Under the code provisions of A.4.1 and A.4.2, (i) non-executive directors should be appointed for a specific term and subject to re-election; and (ii) all directors appointed to fill a causal vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation a least once every three years.

Non-executive directors do not have a specific term of appointment and under the Bye-laws of the Company, at each general meeting, one third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office by rotation save any director holding office as chairman and managing director. The Company intends to propose any amendment of relevant Bye-laws, if necessary, in order to ensure compliance with the Code on Corporate Governance Practices.

- (b) Under the code provision of A.2, the role of chairman and chief executive officer should be separated and should not be performed by the same individual.

The Company does not at present have any officer with the title of "chief executive officer". Mr Lau Chi Yung, Kenneth is the chairman and managing director of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership, enabling the Company to respond promptly and efficiently.

Under the Listing Rules, every listed issuer is required to have at least three Independent Non-executive Directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. Currently, the number of Independent Non-executive Directors represents more than one-third of the total board members.

Each of the Independent Non-executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all Independent Non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. Review will be made regularly on the Board composition to ensure that it has a balance of expertise, skills and experience appropriate for the requirements of the business of the Company. The biographical details of the Directors are set out on pages 6 to 7.

The Board has scheduled regular meetings per year and meets more frequently as and when required. During the financial year ended 31 December 2005, the attendance of individual director to the Board meeting is summarized below:-

Executive Directors	Meetings attended/ held
Lau Chi Yung, Kenneth	17/17
Lau Michael Kei Chi	15/17
Independent Non-executive Directors	
Choy Tak Ho	4/17
Lee Siu Man Ervin	4/17
Wong Yim Sum	4/17

The Company Secretary keeps the Board minutes of the Company for inspection by the Directors. The Board has arranged appropriate insurance cover for the directors and officers of the Group to protect them from the risk exposure arising from the business of the Group.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Based on specific enquiry of all the directors of the Company, the directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2005.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

With the assistance of the Finance Department which is under the supervision of the Qualified Accountant of the Company, the Directors ensure that preparation of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure that the publication of the financial statements of the Group is in a timely manner.

AUDIT COMMITTEE

The Company has established an Audit Committee with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the CG Code.

The Audit Committee comprises three Independent Non-executive Directors of the Company, namely Choy Tak Ho, Lee Siu Man, Ervin and Wong Yim Sum. The Chairman of the committee, Wong Yim Sum, has extensive experience in the finance and auditing fields.

CORPORATE GOVERNANCE REPORT

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. It also acts an important link between the Board and the Company's auditors in matters within the scope of the group audit. In fact, the Group's interim report for the six months ended 30 June 2005 and the annual report for the year ended 31 December 2005 have been reviewed by the Audit Committee, and with recommendation to the Board for approval.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee on 16 September 2005 to ensure that there are formal and transparent procedures for setting policies on the remuneration of the Directors. The committee comprises 3 Independent Non-executive Directors namely, Choy Tak Ho, Lee Siu Man, Ervin, and Wong Yim Sum.

The terms of reference of the Remuneration Committee are consistent with the terms set out in the relevant section of the CG Code, and no Director is involved in deciding his own remuneration.

INTERNAL CONTROL

The Board has overall responsibility for maintaining a sound and effective internal control system of the Group. The Group's internal control system includes a well defined management structure with limits of authority which is designed for the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure proper maintenance of books and records for the provision of reliable financial information for internal use or publication, and to ensure compliance with relevant legislation and regulations.

AUDITORS' REMUNERATION

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence.

For the year ended 31 December 2005, the Auditors of the Company received approximately HK\$735,000 for audit service and HK\$Nil for tax and consultancy services.

INVESTOR RELATIONS AND COMMUNICATION

The Company continues to pursue a proactive policy of promoting investor relations communications. All shareholders have 21 clear days' notice of the Annual General Meeting and Special General Meeting for passing of a special resolution and 14 clear days' notice of all other general meetings at which the Company's Directors and Committee Chairmen or members are available to answer their questions. The results of the voting by poll are declared on the first business day after the meeting, and are published in newspapers, if applicable, together with details of meetings including the time and venue and major resolutions. As a channel to further promote effective communication, the Company's website is maintained to disseminate corporate information and other relevant financial and non-financial information electronically.

REPORT OF THE AUDITORS



Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong SAR

TO THE SHAREHOLDERS OF
MULTIFIELD INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 19 to 81 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong
19 April 2006

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2005

	Notes	2005 HK\$'000	2004 <i>HK\$'000</i> <i>(Restated)</i>
TURNOVER	6	1,319,655	701,466
Cost of sales		(1,144,251)	(550,639)
Gross profit		175,404	150,827
Other revenue and gains	6	82,047	42,014
Administrative expenses		(59,755)	(52,631)
Other operating expenses		(4,163)	(6,058)
Operating profit	7	193,533	134,152
Finance costs	8	(27,786)	(13,070)
PROFIT BEFORE INCOME TAX		165,747	121,082
Income tax	10	(18,082)	(7,537)
PROFIT FOR THE YEAR		147,665	113,545
ATTRIBUTABLE TO			
Equity holders of the Company	11	126,597	81,262
Minority interests		21,068	32,283
		147,665	113,545
DIVIDENDS	12		
Interim		—	6,270
Proposed final		—	13,586
		—	19,856
BASIC EARNINGS PER SHARE	13	3.03 cents	2.01 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i> <i>(Restated)</i>
NON-CURRENT ASSETS			
Property, plant and equipment	15	16,072	16,013
Investment properties	16	2,672,840	2,547,000
Prepaid land lease payments	17	484	493
Goodwill	18		
Goodwill		—	432
Negative goodwill		—	(89,614)
Available-for-sale financial assets/Long term investments	19	11,023	15,930
Total non-current assets		<u>2,700,419</u>	<u>2,490,254</u>
CURRENT ASSETS			
Inventories	20	2,341	2,740
Properties held for sale	21	281,851	281,851
Trade receivables	22	9,233	7,902
Prepayments, deposits and other receivables	23	17,357	28,695
Financial assets at fair value through profit or loss/ Short term investments	24	102,058	77,880
Income tax recoverable		1,164	542
Pledged deposits	25	25,463	7,800
Cash and cash equivalents	25	192,776	83,468
Total current assets		<u>632,243</u>	<u>490,878</u>
TOTAL ASSETS		<u>3,332,662</u>	<u>2,981,132</u>
LESS: CURRENT LIABILITIES			
Trade payables	26	1,908	4,526
Accrued expenses and other payables	27	44,604	41,513
Deposits received		45,878	43,967
Interest-bearing borrowings	28	66,314	130,069
Income tax payable		101,640	103,536
Total current liabilities		<u>260,344</u>	<u>323,611</u>
NET CURRENT ASSETS		<u>371,899</u>	<u>167,267</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,072,318</u>	<u>2,657,521</u>

CONSOLIDATED BALANCE SHEET (CONT'D)

As at 31 December 2005

	<i>Notes</i>	2005 HK\$'000	2004 <i>HK\$'000</i> <i>(Restated)</i>
LESS: NON-CURRENT LIABILITIES			
Interest-bearing borrowings	28	727,736	471,536
Due to a director	29	17,634	128,521
Deferred income tax liabilities	30	395,116	389,045
		<hr/>	<hr/>
Total non-current liabilities		1,140,486	989,102
		<hr/>	<hr/>
Net assets		1,931,832	1,668,419
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	31	41,804	41,804
Reserves	33	1,192,505	945,925
Proposed final dividend	12	—	13,586
		<hr/>	<hr/>
Minority interests		1,234,309	1,001,315
		<hr/>	<hr/>
Total equity		1,931,832	1,668,419
		<hr/>	<hr/>

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2005

Attributable to equity holders of the Company										
	Share capital <i>HK\$'000</i> <i>(Note 31)</i>	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Proposed final dividend <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1 January 2004										
As previously reported as equity	40,005	—	293,372	284,880	7,701	(140)	79,413	12,002	—	717,233
As previously reported as minority interests	—	—	—	—	—	—	—	—	564,648	564,648
Prior year adjustments for the adoption of HKAS 17 (Note 2(a)(i))	—	—	—	—	—	—	90	—	70	160
As restated	40,005	—	293,372	284,880	7,701	(140)	79,503	12,002	564,718	1,282,041
Surplus on revaluation of investment properties	—	—	—	168,388	—	—	—	—	103,534	271,922
Deficit on revaluation realised on disposal of investment properties	—	—	—	11,699	—	—	—	—	—	11,699
Total income and expense recognised directly in equity	—	—	—	180,087	—	—	—	—	103,534	283,621
Profit for the year (as restated)	—	—	—	—	—	—	81,262	—	32,283	113,545
Total income and expense for the year	—	—	—	180,087	—	—	81,262	—	135,817	397,166
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	(33,431)	(33,431)
Final 2003 dividend declared	—	—	—	—	—	—	—	(12,002)	—	(12,002)
Issue of shares	1,799	39,116	—	—	—	—	—	—	—	40,915
Interim 2004 dividend	—	—	—	—	—	—	(6,270)	—	—	(6,270)
Proposed final 2004 dividend	—	—	—	—	—	—	(13,586)	13,586	—	—
As at 31 December 2004	41,804	39,116*	293,372*	464,967*	7,701*	(140)*	140,909*	13,586	667,104	1,668,419

CONSOLIDATED STATEMENT OF

CHANGES IN EQUITY (CONT'D)

For the year ended 31 December 2005

	Attributable to equity holders of the Company									
	Share capital HK\$'000 (Note 31)	Share premium HK\$'000	Contributed surplus HK\$'000	Investment property revaluation reserve HK\$'000	Available-for-sale investment revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1 January 2005										
As previously reported as equity	41,804	39,116	293,372	464,967	7,701	(140)	140,808	13,586	—	1,001,214
As previously reported as minority interests	—	—	—	—	—	—	—	—	667,025	667,025
Prior year adjustment for the adoption of HKAS 17 (Note 2(a)(i))	—	—	—	—	—	—	101	—	79	180
Opening adjustment for the adoption of HKAS 40 (Note 2(a)(iii))	—	—	—	(464,967)	—	—	464,967	—	—	—
Opening adjustment for the adoption of HKFRS 3 (Note 2(a)(v))	—	—	—	—	—	—	79,856	—	9,758	89,614
As restated	41,804	39,116	293,372	—	7,701	(140)	685,732	13,586	676,862	1,758,033
Changes in fair value of available-for-sale financial assets	—	—	—	—	(289)	—	—	—	(220)	(509)
Exchange realignment	—	—	—	—	—	40,416	—	—	—	40,416
Total income and expense recognised directly in equity	—	—	—	—	(289)	40,416	—	—	(220)	39,907
Profit for the year	—	—	—	—	—	—	126,597	—	21,068	147,665
Total income and expense for the year	—	—	—	—	(289)	40,416	126,597	—	20,848	187,572
Acquisition of minority interests	—	—	—	—	—	—	—	—	(187)	(187)
Final 2004 dividend declared	—	—	—	—	—	—	—	(13,586)	—	(13,586)
As at 31 December 2005	41,804	39,116*	293,372*	—*	7,412*	40,276*	812,329*	—	697,523	1,931,832

* These reserve accounts comprise the consolidated reserves of approximately HK\$1,192,505,000 (2004: HK\$945,925,000) in the consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Net cash inflow from operating activities	34	126,784	122,672
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(2,998)	(4,063)
Purchases of investment properties		(68,405)	—
Purchases of available-for-sale financial assets/ long term investments		(11,202)	(15,600)
Purchases of short term investments		—	(90,433)
Increase in time deposits with maturity over three months		(17,663)	—
Proceeds from disposal of deconsolidated subsidiaries		—	4,162
Proceeds from disposal of items of property, plant and equipment		559	6,873
Proceeds from disposal of investment properties		38,769	22,868
Proceeds from disposal of available-for-sale financial assets/ long term investments		15,600	—
Proceeds from disposal of short term investments		—	61,272
Dividends received		3,174	2,071
Interest received		7,248	1,678
Net cash outflow from investing activities		(34,918)	(11,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
New interest-bearing borrowings		642,156	52,590
Repayment of interest-bearing borrowings		(449,711)	(133,481)
Repayment to a director		(110,887)	(3,105)
Repayment to minority shareholders		(187)	(43,397)
Interest paid		(27,786)	(13,070)
Dividends paid		(13,586)	(18,272)
Net cash inflow/(outflow) from financing activities		39,999	(158,735)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		131,865	(47,235)
Cash and cash equivalents at beginning of the year		83,468	130,703
Effect of foreign exchange rate changes, net		(22,557)	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		192,776	83,468
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	38,016	61,382
Non-pledged time deposits with original maturity of less than three months when acquired	25	154,760	22,086
		192,776	83,468

COMPANY
BALANCE SHEET

As at 31 December 2005

	Notes	2005 HK\$'000	2004 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	14	<u>898,986</u>	<u>912,726</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables	23	<u>449</u>	449
Cash and bank balances		<u>442</u>	<u>417</u>
Total current assets		<u>891</u>	<u>866</u>
TOTAL ASSETS		<u>899,877</u>	<u>913,592</u>
LESS: CURRENT LIABILITIES			
Accrued expenses and other payables	27	<u>53</u>	<u>334</u>
NET CURRENT ASSETS		<u>838</u>	<u>532</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>899,824</u>	<u>913,258</u>
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Share capital	31	<u>41,804</u>	41,804
Reserves	33	<u>858,020</u>	857,868
Proposed final dividend	12	<u>—</u>	<u>13,586</u>
Total equity		<u>899,824</u>	<u>913,258</u>

Lau Chi Yung, Kenneth
Chairman

Lau Michael Kei Chi
Vice-Chairman

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2005

1. CORPORATE INFORMATION

Multifield International Holdings Limited (the “Company”) is a limited liability company incorporated in Bermuda. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

During the year, the Company and its subsidiaries (collectively, the “Group”) were involved in the following principal activities:

- property investment
- provision of serviced apartment and property management services
- trading of steel
- manufacturing and trading of electronic products

In the opinion of the directors, the parent company of the Group is Lucky Speculator Limited, which is incorporated in the British Virgin Islands, and the ultimate holding company of the Group is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

These financial statements are presented in Hong Kong dollars (HK\$) and all values are rounded to the nearest thousand (HK\$'000) unless otherwise stated. These financial statements were approved and authorised for issue by the board of directors on 19 April 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the period presented, unless otherwise stated.

a. Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). They have been prepared under the historical cost convention, except for the revaluation of available-for-sale financial assets, financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a. Basis of preparation** (continued)*Adoption of new/revised HKFRSs and changes in accounting policies*

In 2005, the Group adopted the new/revised HKFRSs below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provision, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 28, 33, 36, 37 and 38 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates is presented net of the Group's share of tax attributable to associates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a. Basis of preparation** (continued)

HKAS 21 had no material impact on the Group. As permitted by the transitional provisions of HKAS 21, goodwill arising in a business combination prior to 1 January 2005 and fair value adjustments arising on that acquisition are deemed to be in the currency of the Company. In respect of acquisitions subsequent to 1 January 2005, any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of the assets and liabilities are treated as assets and liabilities of the foreign operation and are translated at the closing rate in accordance with HKAS 21.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(i) HKAS 17 – Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effects of the above changes are summarised in the section headed "Summary of the impact of changes in accounting policies" below. The comparative amounts in the consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of the leasehold land.

(ii) HKAS 32 and HKAS 39 – Financial Instruments

In prior years, the Group classified its investments in unlisted equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses. Debt securities that the Group had the ability to hold to maturity were classified as held-to-maturity securities and were stated in the balance sheet at amortised cost less impairment losses. The investments in listed securities were classified as short term investments and stated at fair value and the gains or losses arising from changes in the fair values of such securities were credited or charged to the income statement in the period in which they arose.

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurement. HKAS 32 requires retrospective application while HKAS 39 does not permit to recognise, derecognise and measure financial assets and liabilities on a retrospective basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a. Basis of preparation** (continued)

(ii) HKAS 32 and HKAS 39 – Financial Instruments (continued)

Upon the adoption of HKASs 32 and 39, debt securities, investments in listed securities, and investments in unlisted equity securities are classified as held-to-maturity financial assets, financial assets at fair value through profit or loss, and available-for-sale financial assets, respectively. Held-to-maturity financial assets are stated at amortised cost less impairment losses. Available-for-sale financial assets are classified at fair value, where an active market exists, with any realised gains and losses recognised in equity. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by valuation techniques are carried at cost less impairment. Financial assets at fair value through profit or loss are carried at fair value.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Trade and other receivables were previously carried at cost less impairment of receivables.

Borrowings are now recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings were previously stated at cost.

The effects of the above changes are summarised in the section headed "Summary of the impact of changes in accounting policies" below. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(iii) HKAS 40 – Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained earnings rather than restating the comparative amounts to reflect the changes retrospectively for the earlier year. The effects of the above changes are summarised in the section headed "Summary of the impact of changes in accounting policies" below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a. Basis of preparation** (continued)

(iv) HKFRS 2 – Share-based Payment

In prior years, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments (“equity-settled transactions”), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The main impact of HKFRS 2 on the Group is the recognition of the cost of these transactions and a corresponding entry to equity for employee share options.

The Group has adopted the transitional provisions of HKFRS 2 under which the new measurement policies have not been applied to (i) options granted to employees on or before 7 November 2002; and (ii) options granted to employees after 7 November 2002 but which had vested before 1 January 2005. As no share options have been granted since the establishment of the share option scheme of the Company on 27 June 2003 and all the share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were granted before 7 November 2002, the adoption of HKFRS 2 has had no impact on the financial statements of the Group.

(v) HKFRS 3 – Business Combinations and HKAS 36 – Impairment of Assets

In prior years, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets, except to the extent it related to expectations of future losses and expenses that were identified in the acquisition plan and that could be measured reliably, in which case, it was recognised as income in the consolidated income statement when the future losses and expenses were recognised.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group’s interest in the net fair value of the acquirees’ identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries (previously referred to as “negative goodwill”), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise the carrying amounts of negative goodwill against retained earnings.

The effects of the above changes are summarised in the section headed “Summary of the impact of changes in accounting policies” below. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***a. Basis of preparation** *(continued)*

The Group has not applied the following new/revised HKFRSs, that have been issued but are not yet effective, to these financial statements:

HKAS 1 Amendment	Capital Disclosures <i>(Note (a))</i>
HKAS 21 Amendment	Net Investment on a Foreign Operation <i>(Note (b))</i>
HKAS 39 Amendment	The Fair Value Option <i>(Note (b))</i>
HKFRS 7	Financial Instruments: Disclosures <i>(Note (a))</i>

Notes:

- (a) Effective for accounting periods beginning on or after 1 January 2007
- (b) Effective for accounting periods beginning on or after 1 January 2006

The Group has already commenced an assessment of these HKFRSs which are effective for accounting periods beginning on or after 1 January 2006 but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a. Basis of preparation** (continued)

Summary of the impact of changes in accounting policies

(1) Effect on consolidated balance sheet as at 1 January 2005 and 31 December 2005

As at 1 January 2005	Effect of adopting				Total HK\$'000
	HKAS 17#	HKASs 32 and 39*	HKAS 40*	HKFRS 3*	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments HK\$'000	Change in classification of equity investments HK\$'000	Surplus on revaluation of investment properties HK\$'000	Derecognition of negative goodwill HK\$'000	
Property, plant and equipment	(313)	—	—	—	(313)
Prepaid land lease payments	493	—	—	—	493
Negative goodwill	—	—	—	(89,614)	(89,614)
Available-for-sale financial assets	—	15,930	—	—	15,930
Long term investments	—	(15,930)	—	—	(15,930)
Financial assets at fair value through profit or loss	—	77,880	—	—	77,880
Short term investments	—	(77,880)	—	—	(77,880)
Minority interests	79	—	—	9,758	9,837
Investment property revaluation reserve	—	—	(464,967)	—	(464,967)
Investment revaluation reserve	—	(7,701)	—	—	(7,701)
Available-for-sale investment revaluation reserve	—	7,701	—	—	7,701
Retained profits	101	—	464,967	79,856	544,924

* Adjustments taken effect prospectively from 1 January 2005

Adjustments/presentation taken effect retrospectively

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a. Basis of preparation** (continued)

Summary of the impact of changes in accounting policies (continued)

(1) Effect on consolidated balance sheet as at 1 January 2005 and 31 December 2005 (continued)

As at 31 December 2005	Effect of adopting				Total HK\$'000
	HKAS 17	HKASs 32 and 39 Change in classification of equity investments HK\$'000	HKAS 40 Surplus on revaluation of investment properties HK\$'000	HKFRS 3 Derecognition of negative goodwill HK\$'000	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments HK\$'000				
Property, plant and equipment	(284)	—	—	—	(284)
Prepaid land lease payments	484	—	—	—	484
Negative goodwill	—	—	—	(73,100)	(73,100)
Available-for-sale financial assets	—	11,023	—	—	11,023
Long term investments	—	(11,023)	—	—	(11,023)
Financial assets at fair value through profit or loss	—	102,058	—	—	102,058
Short term investments	—	(102,058)	—	—	(102,058)
Minority interests	88	—	—	8,524	8,612
Investment property revaluation reserve	—	—	(528,602)	—	(528,602)
Investment revaluation reserve	—	(7,412)	—	—	(7,412)
Available-for-sale investment revaluation reserve	—	7,412	—	—	7,412
Retained profits	112	—	528,602	64,576	593,290

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a. Basis of preparation** (continued)

Summary of the impact of changes in accounting policies (continued)

(2) Effect on opening balance of total equity as at 1 January 2004 and 2005

Effect of new policies (Increase/(decrease))	Effect of adopting			Total HK\$'000
	HKAS 17 Prepaid land lease payments HK\$'000	HKAS 40 Surplus on revaluation of investment properties HK\$'000	HKFRS 3 Derecognition of negative goodwill HK\$'000	
As at 1 January 2004				
Minority interests	70	—	—	70
Retained profits	90	—	—	90
				160
As at 1 January 2005				
Minority interests	79	—	9,758	9,837
Investment property revaluation reserve	—	(464,967)	—	(464,967)
Retained profits	101	464,967	79,856	544,924
				89,794

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**a. Basis of preparation** (continued)

Summary of the impact of changes in accounting policies (continued)

(3) Effect on consolidated income statement for the years ended 31 December 2005 and 2004

Effect of new policies	Effect of adopting			Total HK\$'000
	HKAS 40 Surplus on revaluation of investment properties HK\$'000	HKAS 17 Prepaid land lease payments HK\$'000	HKFRS 3 Discontinuation of amortisation of goodwill/ recognition of negative goodwill as income HK\$'000	
Year ended 31 December 2005				
Decrease in administrative expenses	—	20	108	128
Increase/(decrease) in other revenue and gains	54,905	—	(16,513)	38,392
Total increase/(decrease) in profit	<u>54,905</u>	<u>20</u>	<u>(16,405)</u>	<u>38,520</u>
Increase/(decrease) in basic earnings per share	<u>1.31 cents</u>	<u>—</u>	<u>(0.39) cents</u>	<u>0.92 cents</u>
Year ended 31 December 2004				
Decrease in administrative expenses	—	20	—	20
Total increase in profit	<u>—</u>	<u>20</u>	<u>—</u>	<u>20</u>
Effect on basic earnings per share	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***c. Subsidiaries**

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

d. Associates

An associate is an entity, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in associates are classified as non-current assets and are stated at cost less any impairment losses.

e. Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***f. Impairment of assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each balance sheet date as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued assets.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of an item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	5% or over the lease terms, if shorter
Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	20% - 33 1/3%
Motor vehicles	20% - 33 1/3%
Plant and machinery	10% - 20%
Vessels	30%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***g. Property, plant and equipment** *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

h. Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purpose; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

i. Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, capitalised interest during the period of development and other direct costs attributable to such properties. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

j. Leases

Leases that transfer substantially all the rewards and risks of ownership of the assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***j. Leases** *(continued)*

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

k. Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets held for trading are included in the category "financial assets at fair value through profit or loss". A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***k. Investments** *(continued)**(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer’s specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement) is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

l. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***m. Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

n. Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

o. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

p. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***q. Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

r. Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and interests in associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***r. Income tax** *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

s. Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) rental income from property letting, in the period in which the properties are let and on a straight-line basis over the lease terms;
- (c) income from the provision of serviced apartments and property management services, and project management, in the period in which such services are rendered;
- (d) interest income, on accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (e) dividend income, when the shareholders' right to receive payment has been established.

t. Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**u. Foreign currency translation**

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

v. Employee benefits*(i) Retirement benefits scheme*

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its Hong Kong employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

As stipulated by the regulations of the People's Republic of China ("the PRC") government, each of the Group's subsidiaries in the PRC participates in the central pension scheme operated by the local municipal government for all of their staff. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the central pension scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the central pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***v. Employee benefits** *(continued)**(ii) Share-based compensation*

The Company and its subsidiary, Oriental Explorer Holdings Limited, operate equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(iii) Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

3. FINANCIAL RISK MANAGEMENT**(a) Financial risk factors**

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group operates mainly in Mainland China and Hong Kong and is exposed to foreign exchange risk arising from Renminbi currency exposures, primarily with respect to Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group's risk management policy is to have the liquid assets mainly denominated in Hong Kong dollars, United States dollars and Renminbi.

3. FINANCIAL RISK MANAGEMENT *(continued)***(a) Financial risk factors** *(continued)**(ii) Credit risk*

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. It has policies in place to ensure that credits are granted to customers with an appropriate credit history. For the property letting and management business, the credit risk is relatively low because the Group obtained rental deposits from the tenants. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure adequate impairment losses are made for irrecoverable amounts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and financial assets at fair value through profit or loss, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

(iii) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

(iv) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank and other interest-bearing borrowings. Interest-bearing borrowings at variable rates expose the Group to cash flow interest rate risk. Details of the Group's interest-bearing borrowings have been disclosed in note 28 to the financial statements. The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

(b) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date.

The nominal value less estimated impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- (a) The Group's management determines the impairment of accounts receivable on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of accounts receivable at the balance sheet date.
- (b) The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

- (c) The Group is subject to income taxes in a number of jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately according to the location of assets and customers. Each of the Group's geographical segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other geographical segments. Summary details of the geographical segments are as follows:

- (a) Hong Kong;
- (b) elsewhere in the PRC; and
- (c) Thailand

In determining the Group's business segments, revenue is attributed to the segments based on the nature of their operations and the products and services they provide.

There were no intersegment sales and transfer during the year (2004: Nil).

5. SEGMENT INFORMATION (continued)

(a) Geographical segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's geographical segments for the years ended 31 December 2005 and 2004.

Group	Hong Kong		Elsewhere in the PRC		Thailand		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue								
Sales to external customers	38,288	41,075	137,974	134,654	1,143,393	525,737	1,319,655	701,466
Other revenue	876	705	14,968	4,124	20	—	15,864	4,829
Total	<u>39,164</u>	<u>41,780</u>	<u>152,942</u>	<u>138,778</u>	<u>1,143,413</u>	<u>525,737</u>	<u>1,335,519</u>	<u>706,295</u>
Segment results	<u>13,748</u>	<u>2,194</u>	<u>93,250</u>	<u>98,551</u>	<u>3,835</u>	<u>2,280</u>	<u>110,833</u>	<u>103,025</u>
Interest and dividend income and unallocated gains							86,431	32,042
Unallocated expenses							(3,731)	(915)
Operating profit							193,533	134,152
Finance costs							(27,786)	(13,070)
Profit before income tax							165,747	121,082
Income tax							(18,082)	(7,537)
Profit for the year							<u>147,665</u>	<u>113,545</u>

5. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

Group	Hong Kong		Elsewhere in the PRC		Thailand		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment assets	912,457	783,691	2,189,779	2,178,882	—	1	3,102,236	2,962,574
Available-for-sale financial assets/ Long term investments	11,023	15,930	—	—	—	—	11,023	15,930
Negative goodwill	—	(67,189)	—	(21,993)	—	—	—	(89,182)
Unallocated assets							219,403	91,810
Total assets							3,332,662	2,981,132
Segment liabilities	34,127	28,960	58,264	61,046	—	—	92,391	90,006
Unallocated liabilities							1,308,439	1,222,707
Total liabilities							1,400,830	1,312,713
Other segment information								
Depreciation and amortisation	722	1,864	1,369	2,909	—	—	2,091	4,773
Change in fair value of investment properties	(89,780)	(22,481)	34,875	(145,907)	—	—	(54,905)	(168,388)
Capital expenditure	65,946	1,123	1,582	2,940	—	—	67,528	4,063
Impairment losses recognised in the income statement	—	—	432	628	—	—	432	628

(b) Business segments

The following tables present revenue and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2005 and 2004:

Group	Property investment		Provision of serviced apartment and property management services		Steel trading		Electronic products		Corporate and others		Consolidated	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Segment revenue												
Sales to external customers	156,622	156,201	12,206	7,090	1,143,393	525,737	7,434	12,438	—	—	1,319,655	701,466
Other segment information												
Segment assets	2,366,477	2,853,881	5,529	3,913	18,112	1	5,136	5,274	732,446	99,505	3,127,700	2,962,574
Segment liabilities	(47,697)	(66,507)	(9,770)	(6,247)	(3,982)	—	(4,335)	(4,567)	(26,607)	(12,685)	(92,391)	(90,006)
Capital expenditure	65,203	2,221	861	829	—	—	23	24	1,441	989	67,528	4,063

6. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, the total amounts received and receivable from the provision of serviced apartment and property management services, and rental income, net of PRC business taxes, from property letting, after elimination of all significant intra-group transactions.

An analysis of turnover, other revenue and gains is as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Turnover		
Rental income from property letting	156,622	156,201
Serviced apartment and property management	12,206	7,090
Trading of steel	1,143,393	525,737
Manufacturing and trading of electronic products	7,434	12,438
	<u>1,319,655</u>	<u>701,466</u>
Other revenue and gains		
Interest income	7,248	1,678
Fair value gains on investment properties	54,905	—
Gain on disposal of financial assets at fair value through profit or loss/short term investments	5,165	7,621
Gain on disposal of items of property, plant and equipment	—	5,874
Negative goodwill recognised as income	—	15,780
Dividend income from listed investments	3,174	2,071
Others	11,555	8,990
	<u>82,047</u>	<u>42,014</u>

7. OPERATING PROFIT

The Group's operating profit is arrived at after charging/(crediting):

	2005 HK\$'000	2004 HK\$'000
Cost of inventories sold	1,121,317	521,750
Cost of services provided	22,934	28,889
Depreciation of owned assets	2,578	3,830
Amortisation of goodwill (Note (i))	—	287
Provision for impairment of goodwill (Note (i))	432	628
Minimum lease payments under operating leases for land and buildings	1,130	1,667
Auditors' remuneration	735	619
Provision for bad and doubtful debts	327	—
Loss on disposal of items of property, plant and equipment	20	285
Loss on disposal of investment properties	21,456	8,617
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties	12,754	9,735
Foreign exchange differences, net	(18,786)	126
Fair value losses, net		
Financial assets at fair value through profit or loss	3,731	—
Unrealised loss on revaluation of listed investments, net	—	5,143
	11,515	10,886
Employee benefits expense (including directors' remuneration (Note 9))		
Wages and salaries	11,515	10,886
Pension scheme contributions (Note (ii))	91	356
	11,606	11,242
Gross rental income	(156,622)	(156,201)
Less: Outgoings	12,754	9,735
Net rental income	(143,868)	(146,466)

Notes:

- (i) The amortisation of goodwill and provision for impairment of goodwill for the year are included in "Other operating expenses" on the face of the consolidated income statement.
- (ii) As at 31 December 2005, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2004: Nil).

8. FINANCE COSTS

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	4,080	11,062
Interest on bank loans not wholly repayable within five years	<u>23,370</u>	<u>2,008</u>
	27,450	13,070
Interest on other borrowings	<u>336</u>	<u>—</u>
	<u>27,786</u>	<u>13,070</u>

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Short-term employee benefits	7,162	3,681
Post-employment benefits	<u>95</u>	<u>88</u>
	<u>7,257</u>	<u>3,769</u>

(a) Directors' remuneration

The remuneration of every director of the Company for the year ended 31 December 2005 is set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors				
Mr. Lau Chi Yung, Kenneth	1,380	1,620	12	3,012
Mr. Lau Michael Kei Chi	850	650	12	1,512
Independent non-executive directors				
Mr. Choy Tak Ho	120	—	—	120
Mr. Lee Siu Man, Ervin	120	—	—	120
Mr. Wong Yim Sum	120	—	—	120
	<u>2,590</u>	<u>2,270</u>	<u>24</u>	<u>4,884</u>

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL (continued)**(a) Directors' remuneration** (continued)

The remuneration of every director of the Company for the year ended 31 December 2004 is set out below:

	Fees <i>HK\$'000</i>	Salaries, allowances and benefits in kind <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Total remuneration <i>HK\$'000</i>
Executive directors				
Mr. Lau Chi Yung, Kenneth	—	260	12	272
Mr. Lau Michael Kei Chi	—	420	12	432
Mr. Cho Po Hong, Jimmy (Note (i))	—	360	9	369
Non-executive directors				
Mr. Tsang Pak Chung, Eddy (Note (i))	—	560	—	560
Mr. Tong Wui Tung, Ronald (Note (i))	45	—	—	45
Independent non-executive directors				
Mr. Choy Tak Ho	60	—	—	60
Mr. Lee Siu Man, Ervin	60	—	—	60
Mr. Wong Yim Sum (Note (ii))	15	—	—	15
	<u>180</u>	<u>1,600</u>	<u>33</u>	<u>1,813</u>

Notes:

(i) Resigned on 28 September 2004

(ii) Appointed on 28 September 2004

None of the directors of the Company waived or agreed to waive any emoluments during the year ended 31 December 2005 (2004: Nil).

9. COMPENSATION TO KEY MANAGEMENT PERSONNEL (continued)**(b) Five highest paid individuals**

The five highest paid employees during the year included two (2004: one) directors, details of whose remuneration are set out in note 9(a) above. Details of the remuneration of the remaining three (2004: four) non-director, highest paid employees for the year are as follows:

	2005 HK\$'000	2004 <i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,834	1,861
Pension scheme contributions	36	48
	<u>1,870</u>	<u>1,909</u>

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2005	2004
Nil to HK\$1,000,000	<u>3</u>	<u>4</u>

- (c) During the year ended 31 December 2005, no emoluments were paid by the Group to the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2004: Nil).

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005 HK\$'000	2004 <i>HK\$'000</i>
Current tax – Hong Kong		
Charge for the year	751	1,382
Overprovision in prior years	—	(330)
Current tax – Mainland China		
Charge for the year	11,260	6,485
Deferred tax (note 30)	<u>6,071</u>	<u>—</u>
Total tax charge for the year	<u>18,082</u>	<u>7,537</u>

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before income tax using the statutory rates for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group - 2005

	Hong Kong		Elsewhere in the PRC		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Profit before income tax	<u>91,500</u>		<u>74,248</u>		<u>165,748</u>	
Tax at the statutory tax rate	16,013	17.5	24,502	33.0	40,515	24.4
Income not subject to tax	(14,171)	(15.5)	(58,107)	(78.3)	(72,278)	(43.6)
Expenses not deductible for tax	2,130	2.3	44,606	60.1	46,736	28.2
Tax losses not recognised	3,941	4.3	85	0.1	4,026	2.4
Tax losses utilised from prior years	(120)	(0.1)	—	—	(120)	(0.1)
Others	(971)	(1)	174	0.2	(797)	(0.5)
Tax charge at the Group's effective rate	<u>6,822</u>	<u>7.5</u>	<u>11,260</u>	<u>15.1</u>	<u>18,082</u>	<u>10.8</u>

Group - 2004

	Hong Kong		Elsewhere in the PRC		Total	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Restated)</i>				<i>(Restated)</i>	
Profit before income tax	<u>28,362</u>		<u>92,720</u>		<u>121,082</u>	
Tax at the statutory tax rate	4,963	17.5	30,598	33.0	35,561	29.4
Adjustments in respect of current tax of previous periods	(330)	(1.2)	—	—	(330)	(0.3)
Income not subject to tax	(4,378)	(15.4)	(26,133)	(28.2)	(30,511)	(25.2)
Expenses not deductible for tax	3,764	13.3	10,361	11.2	14,125	11.7
Tax losses not recognised	663	2.3	100	0.1	763	0.6
Tax losses utilised from prior years	(2,174)	(7.7)	(8,381)	(9.0)	(10,555)	(8.7)
Others	(1,456)	(5.1)	(60)	(0.1)	(1,516)	(1.3)
Tax charge at the Group's effective rate	<u>1,052</u>	<u>3.7</u>	<u>6,485</u>	<u>7.0</u>	<u>7,537</u>	<u>6.2</u>

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 December 2005 dealt with in the financial statements of the Company amounted to approximately HK\$152,000 (2004: loss of approximately HK\$240,000) (*note 33(b)*).

12. DIVIDENDS

	2005	2004
	HK\$'000	HK\$'000
Interim dividend of 0.15 HK cents per ordinary share	—	6,270
Proposed final dividend of 0.325 HK cents per ordinary share	—	13,586
	<u>—</u>	<u>19,856</u>
	—	19,856

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2005.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit for the year attributable to equity holders of the Company for the year ended 31 December 2005 of approximately HK\$126,597,000 (2004: HK\$81,262,000 (restated)) and the weighted average number of 4,180,371,092 (2004: 4,043,276,309) ordinary shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2004 and 2005 have not been disclosed as no diluting events existed during both years.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	656,622	656,622
Due from subsidiaries	244,164	257,904
Due to subsidiaries	(1,800)	(1,800)
	<u>898,986</u>	<u>912,726</u>
	898,986	912,726

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from/(to) subsidiaries approximate their fair values.

14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2005 are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Alphatronics Limited	Hong Kong	HK\$6,000,000	42.51 (Note (i))	Trading of electronic products
Alphatronics Electronic (Shenzhen) Co., Ltd. (Note (vi))	PRC	US\$3,310,000	42.51 (Note (i))	Manufacture of electronic components
Call Rich Investments Limited	British Virgin Islands	US\$50,000	59.19 (Note (ii))	Investment holding
Charter Million Investment Limited	Hong Kong/ PRC	HK\$2	62.83	Property investment
Conrad Properties Limited	Hong Kong	HK\$1	100	Property Investment
Conrad Shipping Limited	Hong Kong	HK\$1	100	Property Investment
East Winner Limited Islands	British Virgin Islands	US\$1	56.68	Investment holding
Ever Ford Development Limited	Hong Kong/ PRC	HK\$10,000	61.20 (Note (iv))	Property investment
Fexlink Limited (Note (vii))	Hong Kong	HK\$100	100	Property investment
Forever Richland Limited	British Virgin Islands	US\$50,000	75	Investment holding
Fortune Text Holdings Limited	Hong Kong/ PRC	HK\$2	62.83	Property investment
Godfrey Investments Limited	British Virgin Islands	US\$1	100	Investment holding
Good Connection Investments Limited	British Virgin Islands/PRC	US\$50,000	45.52 (Notes (i) & (iii))	Property investment
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	100	Property investment

14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2005 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Head Wonder International Limited	British Virgin Islands	US\$10,000	62.83	Investment holding
Inter China Limited	British Virgin Islands	US\$100	32.30 (Note (i))	Investment holding
Kiuson Development Limited	Hong Kong	HK\$100	45.52 (Note (i) & (iii))	Investment holding
Kiuson Development (Shanghai) Ltd. (Note (vi))	PRC	US\$10,000,000	100	Property investment
Lau & Partners Consultants Limited	Hong Kong/ PRC	HK\$10,000	100	Property investment
Limitless Investment Limited	British Virgin Islands	US\$2	100	Investment holding
Linkful Electronics Limited	British Virgin Islands	US\$1	56.68	Investment holding
Linkful (Holdings) Limited	Hong Kong	Ordinary HK\$1,000 Non-voting Deferred HK\$20,000,000	56.68	Investment holding
Linkful (PRC) Investments Limited	Hong Kong	HK\$2	56.68	Investment holding
Linkful Management Services Limited	Hong Kong	HK\$2	56.68	Provision of management services
Linkful Metals Trading Limited	British Virgin Islands/Thailand	US\$1	56.68	Metal trading
Linkful Properties Company Limited	Hong Kong/ PRC	HK\$2	56.68	Investment and property holding

14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2005 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Linkful Strategic Investment Limited	British Virgin Islands	US\$1	56.68	Investment holding
Lucky River Limited	British Virgin Islands	US\$1	100	Investment holding
Maxlord Limited	Hong Kong	HK\$10,000	100	Property Investment
Million Growth Investment Limited	Hong Kong	HK\$10,000	100	Provision of recreational services
Multifield (Holdings) Limited	Hong Kong	HK\$1,000,000	100	Investment holding, provision of management services and agency services
Multifield Hotel Serviced Apartment Management (Shanghai) Ltd. (Note (vi))	PRC	US\$200,000	100	Provision of property management and administration services
Multifield International Hotel Management Limited	Hong Kong	HK\$10,000	100	Provision of property management and administration services
Multifield Investment (HK) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Investment (PRC) Limited	British Virgin Islands	US\$1	100	Investment holding

14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2005 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Multifield Management Services Limited	British Virgin Islands	US\$2	100	Investment holding
Multifield Properties Holdings Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Properties Limited	Hong Kong	HK\$9,000	100	Investment holding
Multifield Property Agency Limited	Hong Kong	HK\$2	100	Provision of property agency services
Multifield Property Management Limited	Hong Kong	HK\$2	100	Provision of property management services
Multifield International Holdings (B.V.I.) Limited	British Virgin Islands	US\$40	100	Investment holding
Nichiyu Consultants Limited	British Virgin Islands	US\$2	100	Investment holding
Oriental Explorer Holdings Limited	Bermuda	HK\$18,000,000	56.68	Investment holding
Prince Properties Limited	Hong Kong	HK\$10,000	78.34 (Note (v))	Investment holding
Quick Profits Limited	British Virgin Islands	US\$2	100	Investment holding
Quick Returns Group Limited	British Virgin Islands	US\$1	100	Investment holding
Rich Returns Limited	British Virgin Islands	US\$100	61.20 (Note (iv))	Investment holding

14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2005 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Richwell Properties Limited (Note (vii))	Hong Kong	Ordinary HK\$110,000 Non-voting deferred HK\$10,000	100	Property investment
Snowdon Worldwide Limited	British Virgin Islands	US\$1	56.68	Investment holding
Silver Nominees Limited	Hong Kong	HK\$2	100	Property investment
Sino Yield Investments Limited	British Virgin Islands	US\$3	66.7	Investment holding
Skilful Investments Limited	British Virgin Islands/PRC	US\$50,000	45.5 (Notes (i) & (iii))	Property letting
Tellink Development Limited	Hong Kong/ PRC	HK\$100	100	Property investment
Triple Luck Investments Limited (Note (vii))	British Virgin Islands	US\$50,000	100	Investment holding
Verywell Properties Limited	British Virgin Islands/Hong Kong	US\$1	100	Property investment
Win Channel Enterprises Limited	Hong Kong	HK\$2	66.7	Property investment
Windsor Property Management (Shanghai) Co., Ltd. (Note (vi))	PRC	US\$200,000	100	Provision of property management services
Windsor Renaissance Hotel Property Management (Shanghai) Ltd. (Note (vi))	PRC	US\$140,000	100	Provision of property management services

14. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries as at 31 December 2005 are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Winner Strong Limited (Note (vii))	Hong Kong	HK\$100	100	Property investment
Wise Chance Limited	Hong Kong	HK\$100	100	Property investment
Wise Success Limited (Note (vii))	Hong Kong	HK\$100	100	Property investment

Except for Multifield International Holdings (B.V.I) Limited, all subsidiaries are indirectly held by the Company.

Notes:

- (i) These companies are subsidiaries of non wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over the entities.
- (ii) The Group holds a direct equity interest of 45% in this subsidiary, and an indirect equity interest of 14.19% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds a 25.04% equity interest in this subsidiary.
- (iii) The Group holds a direct equity interest of 37% in these subsidiaries, and an indirect equity interest of 8.52% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds 15.02% equity interest in these subsidiaries.
- (iv) The Group holds a direct equity interest of 51% in these subsidiaries, and an indirect equity interest of 10.20% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds 18% equity interest in these subsidiaries.
- (v) The Group holds a direct equity interest of 50% in this subsidiary, and an indirect equity interest of 28.34% by virtue of the Group's 56.68% interest in Oriental Explorer Holdings Limited, which holds a 50% equity interest in this subsidiary.
- (vi) These subsidiaries are registered as wholly-foreign owned enterprises under the PRC law.
- (vii) On 6 October 2004, the Group further acquired 42.5% equity interest in Triple Luck Investments Limited ("Triple Luck") for a consideration of HK\$40,914,685 which was satisfied by the allotment and issue of 179,844,769 ordinary shares of the Company at HK\$0.2275 per share. Triple Luck and its subsidiaries became wholly-owned subsidiaries of the Company thereafter.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

15. PROPERTY, PLANT AND EQUIPMENT**Group**

	Land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Vessels <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 December 2005							
As at 31 December 2004 and 1 January 2005							
Cost	10,246	3,177	19,539	4,735	818	2,266	40,781
Accumulated depreciation	(1,043)	(2,423)	(17,166)	(2,661)	(541)	(934)	(24,768)
Net carrying amount	<u>9,203</u>	<u>754</u>	<u>2,373</u>	<u>2,074</u>	<u>277</u>	<u>1,332</u>	<u>16,013</u>
As at 1 January 2005, net of accumulated depreciation							
	9,203	754	2,373	2,074	277	1,332	16,013
Additions	—	—	1,122	1,853	23	—	2,998
Depreciation provided for the year	(231)	(44)	(1,080)	(669)	(164)	(390)	(2,578)
Disposals	—	—	(23)	(556)	—	—	(579)
Exchange realignment	164	17	19	18	—	—	218
As at 31 December 2005, net of accumulated depreciation	<u>9,136</u>	<u>727</u>	<u>2,411</u>	<u>2,720</u>	<u>136</u>	<u>942</u>	<u>16,072</u>
As at 31 December 2005							
Cost	10,429	3,068	20,167	5,357	841	2,266	42,128
Accumulated depreciation	(1,293)	(2,341)	(17,756)	(2,637)	(705)	(1,324)	(26,056)
Net carrying amount	<u>9,136</u>	<u>727</u>	<u>2,411</u>	<u>2,720</u>	<u>136</u>	<u>942</u>	<u>16,072</u>

15. PROPERTY, PLANT AND EQUIPMENT (continued)**Group**

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Plant and machinery	Vessels	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Restated)</i>						<i>(Restated)</i>
31 December 2004							
As at 1 January 2004							
Cost	10,554	4,922	18,891	3,869	794	3,969	42,999
Accumulated depreciation	(939)	(4,531)	(16,858)	(2,201)	(196)	(1,210)	(25,935)
Net carrying amount	<u>9,615</u>	<u>391</u>	<u>2,033</u>	<u>1,668</u>	<u>598</u>	<u>2,759</u>	<u>17,064</u>
As at 1 January 2004, net of accumulated depreciation							
As at 1 January 2004, net of accumulated depreciation	9,615	391	2,033	1,668	598	2,759	17,064
Additions	—	793	2,020	1,226	24	—	4,063
Depreciation provided for the year	(228)	(70)	(1,585)	(541)	(345)	(1,061)	(3,830)
Disposals	(184)	(360)	(95)	(279)	—	(366)	(1,284)
As at 31 December 2004, net of accumulated depreciation	<u>9,203</u>	<u>754</u>	<u>2,373</u>	<u>2,074</u>	<u>277</u>	<u>1,332</u>	<u>16,013</u>
As at 31 December 2004							
Cost	10,246	3,177	19,539	4,735	818	2,266	40,781
Accumulated depreciation	(1,043)	(2,423)	(17,166)	(2,661)	(541)	(934)	(24,768)
Net carrying amount	<u>9,203</u>	<u>754</u>	<u>2,373</u>	<u>2,074</u>	<u>277</u>	<u>1,332</u>	<u>16,013</u>

16. INVESTMENT PROPERTIES

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Carrying amount as at 1 January	2,547,000	2,292,400
Additions	68,405	—
Disposals	(60,225)	(17,322)
Net gain from fair value adjustment	54,905	271,922
Exchange realignment	62,755	—
	<hr/>	<hr/>
Carrying amount as at 31 December	2,672,840	2,547,000

The Group's investment properties as at 31 December 2005 are situated in Hong Kong and the PRC and are held under the following lease terms:

	Hong Kong <i>HK\$'000</i>	Elsewhere in the PRC <i>HK\$'000</i>	Total <i>HK\$'000</i>
Long term leases	330,000	2,124,600	2,454,600
Medium term leases	218,240	—	218,240
	<hr/>	<hr/>	<hr/>
	548,240	2,124,600	2,672,840

The revaluation of the Group's investment properties as at 31 December 2005 was performed by B.I. Appraisals Limited, an independent firm of professional qualified valuers, on an open market value, existing use basis.

The investment properties held by the Group are leased to third parties under operating leases, further summary details of which are included in note 37 to the financial statements.

As at 31 December 2005, certain of the Group's investment properties with a carrying value of approximately HK\$1,847,200,000 (2004: HK\$1,401,200,000) were pledged to secure general banking facilities granted to the Group (Note 28).

17. PREPAID LAND LEASE PAYMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000 (Restated)
Carrying amount as at 1 January		
As previously reported	—	—
Effect of adoption of HKAS 17 (Note 2(a)(i))	493	501
As restated	493	501
Recognised during the year	(9)	(8)
Carrying amount as at 31 December	484	493

The Group's leasehold land is situated in the PRC and is held under long lease terms.

Certain of the Group's land and buildings as at 31 December 2004 with a net book value of approximately HK\$8,788,000 were pledged to secure general banking facilities granted to the Group.

18. GOODWILL/NEGATIVE GOODWILL

	Group	
	Goodwill	Negative goodwill
	<i>HK\$'000</i>	<i>HK\$'000</i>
31 December 2005		
As at 1 January 2005		
Cost as previously reported	2,334	(136,951)
Effect of adopting HKFRS 3 (<i>Note 2(a)(v)</i>)	(1,902)	136,951
	<hr/>	<hr/>
Cost as restated	432	—
	<hr/>	<hr/>
Accumulated amortisation and impairment as previously reported	1,902	(47,337)
Effect of adopting HKFRS 3 (<i>Note 2(a)(v)</i>)	(1,902)	47,337
	<hr/>	<hr/>
Accumulated amortisation and impairment as restated	—	—
	<hr/>	<hr/>
Net carrying amount	<u>432</u>	<u>—</u>
Cost as at 1 January 2005, net of accumulated impairment	432	—
Impairment during the year	(432)	—
	<hr/>	<hr/>
Net carrying amount as at 31 December 2005	<u>—</u>	<u>—</u>
As at 31 December 2005		
Cost	432	—
Accumulated impairment	(432)	—
	<hr/>	<hr/>
Net carrying amount	<u>—</u>	<u>—</u>

18. GOODWILL/NEGATIVE GOODWILL (continued)

	Group	
	Goodwill	Negative goodwill
	<i>HK\$'000</i>	<i>HK\$'000</i>
31 December 2004		
As at 1 January 2004		
Cost	2,334	(127,181)
Accumulated amortisation and impairment	(987)	31,557
	<hr/>	<hr/>
Net carrying amount	<u>1,347</u>	<u>(95,624)</u>
Cost as at 1 January 2005, net of accumulated amortisation and impairment	1,347	(95,624)
Acquisition of subsidiaries	—	(9,770)
Amortisation provided/(recognised as income) during the year	(287)	15,780
Impairment during the year	(628)	—
	<hr/>	<hr/>
Net carrying amount as at 31 December 2004	<u>432</u>	<u>(89,614)</u>
As at 31 December 2004		
Cost	2,334	(136,951)
Accumulated amortisation and impairment	(1,902)	47,337
	<hr/>	<hr/>
	<u>432</u>	<u>(89,614)</u>

In 2004, goodwill was amortised on the straight-line basis over its estimated useful life of 5 years.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS/LONG TERM INVESTMENTS

	Group	
	2005	2004
	HK\$'000	HK\$'000
Listed debt investments, at fair value	10,353	—
Held-to-maturity debt securities, at cost	—	15,600
Unlisted debt investments, at cost	670	—
Unlisted equity investments, at cost	—	330
	11,023	15,930

During the year, the gross loss of the Group's available-for-sale financial assets recognised directly in equity amounted to approximately HK\$289,000 (2004: Nil).

As at 31 December 2005, the Group's listed debt investments with a carrying value of approximately HK\$10,353,000 (2004: Nil) were pledged to secure interest-bearing borrowings, further details of which are disclosed in note 28 to the financial statements.

The above unlisted debt investments were designated as available-for-sale financial assets on 1 January 2005 and have no fixed maturity date or coupon rate. The unlisted debt investments of the Group are not stated at fair value but at cost less any accumulated impairment losses because they do not have a quoted market price in an active market. In addition, the directors of the Company consider that the fair value of such investments cannot be reliably measured as the variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value.

20. INVENTORIES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Raw materials	1,614	1,538
Work in progress	10	10
Finished goods	717	1,192
	2,341	2,740

21. PROPERTIES HELD FOR SALE

The properties held for sale are stated at the lower of cost and net realisable value, and are held under medium term leases in Hong Kong.

22. TRADE RECEIVABLES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Trade receivables	14,423	8,117
Less: Provision for impairment of receivables	(5,190)	(215)
	9,233	7,902

An aged analysis of trade receivables at the balance sheet date, based on invoice date and net of provision for impairment, is as follows:

	2005	2004
	HK\$'000	HK\$'000
Within three months	4,548	4,088
Four to six months	884	63
Over six months	3,801	3,751
	9,233	7,902

For the Group's property rental business, the tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rentals in order to secure any default in their rental payments.

The Group's trading terms with steel customers are mainly on credit. Invoices are normally payable within two months of issuance, except for certain well established customers, where the terms are extended to three to six months in some cases, subject to the approval of senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

In view of the aforementioned and that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

The fair values of the Group's trade receivables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The fair values of the Group's and the Company's prepayments, deposits and other receivables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/SHORT TERM INVESTMENTS

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Listed equity investments, at market value		
Hong Kong	79,056	54,054
Elsewhere	23,002	23,826
	<u>102,058</u>	<u>77,880</u>

The above equity investments as at 31 December 2005 were classified as held for trading. As at 31 December 2005, the Group's listed equity investments with a carrying value of approximately HK\$17,048,000 (2004: Nil) were pledged to secure interest-bearing borrowings, further details of which are disclosed in note 28 to the financial statements.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Cash and bank balances	38,016	61,382
Non-pledged time deposits	154,760	22,086
Cash and cash equivalents	192,776	83,468
Pledged deposits	25,463	7,800
	<u>218,239</u>	<u>91,268</u>

The time deposits of HK\$25,463,000 (2004: HK\$7,800,000) were pledged as security for banking facilities granted.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate their fair values.

26. TRADE PAYABLES

	Group	
	2005	2004
	HK\$'000	HK\$'000
Trade payables	<u>1,908</u>	<u>4,526</u>

An aged analysis of trade payables at the balance sheet date, based on invoice date, is as follows:

	2005	2004
	HK\$'000	HK\$'000
Within three months	1,530	2,210
Four to six months	114	918
Over six months	<u>264</u>	<u>1,398</u>
	<u>1,908</u>	<u>4,526</u>

The trade payables are non-interest-bearing and are normally settled on 60-days terms. The fair values of the Group's trade payables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

27. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables are non-interest-bearing and have an average term of two months. The fair values of the Group's and the Company's accrued expenses and other payables included in the amounts at the balance sheet date approximate the corresponding carrying amounts.

28. INTEREST-BEARING BORROWINGS

		Effective interest rate (%)	Maturity	Group	
				2005 HK\$'000	2004 HK\$'000
Current					
Bank loans – secured	HIBOR plus a range of	0.65 to 1.375	2006	64,711	130,069
Short term loan – secured		0.58	January 2006	1,603	—
				<u>66,314</u>	<u>130,069</u>
Non-current					
Bank loans – secured	HIBOR plus a range of	0.65 to 1.375	2007 - 2015	727,736	471,536
				<u>794,050</u>	<u>601,605</u>

	Group	
	2005 HK\$'000	2004 HK\$'000
Analysed into:		
Bank loans are repayable:		
Within one year	64,711	130,069
In the second year	64,812	99,242
In the third to fifth years, inclusive	177,698	300,498
After five years	485,226	71,796
	<u>792,447</u>	<u>601,605</u>
Other borrowings repayable within one year	1,603	—
	<u>794,050</u>	<u>601,605</u>

The Group's banking facilities were secured by:

- (i) first legal charges over certain of the Group's investment properties with an aggregate net book value of approximately HK\$1,847,200,000 at the balance sheet date;
- (ii) personal guarantees given by certain directors of the Company and its subsidiaries and the minority shareholders; and
- (iii) corporate guarantees issued by the Company.

The Group's short term loan with an investment bank is secured by certain cash deposits and securities with a carrying amount of approximately HK\$46,129,000 as at 31 December 2005, bearing interest at 0.58% and is repayable on 4 January 2006.

28. INTEREST-BEARING BORROWINGS (continued)

Other interest rate information:

	Group			
	2005		2004	
	Fixed rate <i>HK\$'000</i>	Floating rate <i>HK\$'000</i>	Fixed rate <i>HK\$'000</i>	Floating rate <i>HK\$'000</i>
Bank loans – secured	—	792,447	—	601,605
Other loan – secured	1,603	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The carrying amounts of the Group's current borrowings approximate their fair values. The carrying amounts and fair values of the Group's non-current borrowings are as follows:

	Carrying amounts		Fair value	
	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Floating rate bank loans	727,736	471,536	603,596	420,916
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The fair value of non-current borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates.

29. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is not repayable within one year. The carrying amount of the amount due approximates its fair value.

30. DEFERRED INCOME TAX LIABILITIES

Details of deferred income tax liabilities are as follows:

Group

	Accelerated tax depreciation <i>HK\$'000</i>	Revaluation of properties <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2005	1,571	353,428	34,046	389,045
Deferred tax charged to the income statement during the year (<i>note 10</i>)	6,071	—	—	6,071
As at 31 December 2005	7,642	353,428	34,046	395,116
As at 1 January 2004 and 31 December 2004	1,571	353,428	34,046	389,045

As at 31 December 2005, the Group has tax losses arising in Hong Kong of approximately HK\$54,794,000 (2004: HK\$18,464,000), which is calculated at the rate of 17.5% on the cumulative timing differences at the balance sheet date. The Group's tax losses are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL**Shares**

	Number of shares		Value	
	2005	2004	2005 HK\$'000	2004 HK\$'000
Authorised				
Ordinary shares of HK\$0.01 each	50,000,000,000	50,000,000,000	500,000	500,000
Issued and fully paid				
At beginning of the year	4,180,371,092	4,000,526,323	41,804	40,005
Issue of shares on 6 October 2004	—	179,844,769	—	1,799
At end of the year	4,180,371,092	4,180,371,092	41,804	41,804

On 6 October 2004, the Company allotted and issued 179,844,769 ordinary shares of HK\$0.01 each at HK\$0.2275 per share as consideration for the acquisition of 42.5% equity interest in Triple Luck, further details of which are set out in note 14(vii) to the financial statements.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 32 to the financial statements.

32. SHARE OPTION SCHEMES

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, other employees, adviser, consultant, agent, contractor, client or customer, or supplier of any member of the Group. The Scheme became effective on 27 June 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of securities available for issue under the Scheme is 400,052,632, which is equivalent to 10% of the issued share capital of the Company as at the date of approval of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's share at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

32. SHARE OPTION SCHEMES (continued)

The offer of a grant of share options may be accepted within 5 days from the date of the offer upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the board of directors, but may not be less than the higher of (i) the nominal value of the shares; (ii) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

No share options have been granted, exercised, expired or forfeited since the establishment of the Scheme.

The following share options of Oriental Explorer Holdings Limited, a subsidiary of the Company, were outstanding during the year:

Name or category of participant	Date of grant of share options	Exercise price of share options HK\$	Number of share options as at	Exercise period of share options
			1 January 2005 and 31 December 2005	
Director				
Lau Chi Yung, Kenneth	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
Others				
Tsang Pak Chung, Eddy	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
Leung Wei San, Saskia	7 February 1998	0.112	19,500,000	7 February 1998 to 6 February 2008
			58,500,000	

No share options of Oriental Explorer Holdings Limited were granted, exercised, expired or forfeited during the year.

33. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 January 2004	—	802,254	36,594	838,848
Issue of shares	39,116	—	—	39,116
Loss for the year	—	—	(240)	(240)
Interim 2004 dividend	—	—	(6,270)	(6,270)
Proposed final 2004 dividend	—	—	(13,586)	(13,586)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2004 and 1 January 2005	39,116	802,254	16,498	857,868
Loss for the year	—	—	152	152
	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2005	39,116	802,254	16,650	858,020

The contributed surplus of the Company originally arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Stock Exchange in 1998 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of profit before income tax to net cash inflow from operating activities:

	2005 HK\$'000	2004 HK\$'000 (Restated)
Profit before income tax	165,747	121,082
Adjustments for:		
Finance costs	27,786	13,070
Fair value gains on investment properties	(54,905)	—
Interest income	(7,248)	(1,678)
Dividend income from listed investments	(3,174)	(2,071)
Gain on disposal of items of property, plant and equipment	—	(5,874)
Depreciation	2,578	3,830
Recognition of prepaid land lease payments	9	8
Amortisation of goodwill	—	287
Provision for impairment of goodwill	432	628
Negative goodwill recognised as income	—	(15,780)
Gain on disposal of listed investments	—	(7,621)
Fair value losses, net		
Financial assets at fair value through profit or loss	3,731	—
Gain on disposal of a deconsolidated subsidiary	—	(4,162)
Unrealised loss on revaluation of listed investments	—	5,143
Loss on disposal of investment properties	21,456	8,617
Loss on disposal of items of property, plant and equipment	20	285
PRC indirect taxes	16,574	10,567
Operating profit before working capital changes	173,006	126,331
Decrease/(increase) in inventories	399	(604)
(Increase)/decrease in trade receivables	(1,331)	73,518
Decrease/(increase) in prepayments, deposits and other receivables	11,338	(13,082)
Increase in financial assets at fair value through profit or loss	(27,909)	—
Decrease in trade payables	(2,618)	(59,433)
Increase/(decrease) in accrued expenses and other payables	3,091	(6,772)
Increase in deposits received	1,911	15,768
Cash generated from operations	157,887	135,726
Hong Kong profits tax paid	(1,173)	(1,613)
Hong Kong profits tax refunded	—	587
PRC taxes paid	(29,930)	(12,028)
Net cash inflow from operating activities	126,784	122,672

35. CAPITAL COMMITMENTS

	Group	
	2005 HK\$'000	2004 <i>HK\$'000</i>
Contracted, but not provided for:		
Renovation of properties	—	356
Authorised, but not contracted for:		
Renovation of properties	—	—
	—	356

36. CONTINGENT LIABILITIES

The Company had guarantees amounting to HK\$700,280,00 (2004: HK\$556,859,000) given to banks for the banking facilities, which had been fully utilised at the balance sheet date, granted by the banks to certain subsidiaries.

Apart from the above, the Group and the Company did not have any significant contingent liabilities at the balance sheet date.

37. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties and properties held for sale (Notes 16 and 21 to the financial statements, respectively) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rentals in order to secure any default in their rental payments.

As at 31 December 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005 HK\$'000	2004 <i>HK\$'000</i>
Within one year	107,063	106,903
In the second to fifth years, inclusive	36,910	36,234
	143,973	143,137

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following significant related party transactions during the year:

- (a) The Group received rental income in the amount of HK\$115,000 (2004: HK\$115,000) from Alpha Japan Limited ("Alpha Japan"), the minority shareholder of a subsidiary of the Group. The rental income was charged based on open market rental.
- (b) A subsidiary sold finished goods of approximately HK\$3,197,000 (2004: HK\$4,302,000) to and purchased raw materials and equipment parts of approximately HK\$1,186,000 (2004: HK\$1,236,000) from a related company of Alpha Japan. These transactions were based on published prices and conditions normally offered by the Group to third party customers in the ordinary course of business of the Group (in respect of the sales), and offered by a related company of Alpha Japan to its third party customers (in respect of the purchases).

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Purpose	Group's effective holding	GFA (sq.ft.)	GFA attributable to the Group (sq.ft.)	Lease Term
1	G/F., Block 1B, Pine Villas, Nos. 118 & 118A, Castle Peak Road, Castle Peak Bay, Tuen Mun, N.T., Hong Kong.	Residential	100%	1,833	1,833	For a residual term up to 30 June 2047
2	Flat B, 7/F, Rose Mansion, No. 1 Prat Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.	Residential	100%	890	890	150 years from 25 December 1898
3	Multifield Centre, No. 426 Shanghai Street, Yau Ma Tei, Kowloon, Hong Kong.	Commercial	100%	46,351	46,351	150 years from 25 December 1887
4	Multifield Building, Nos. 147-151 King's Road, North Point, Hong Kong.	Residential/ Commercial	100%	76,450	76,450	75 years from 5 December 1996
5	Shops 1-9 on G/F., 1/F.-3/F., 5/F., 6/F., Unit 01 on 7/F., 20/F., 21/F., external wall and roof, Multifield Plaza, Nos. 3-7A Prat Avenue, Tsim Sha Tsui, Kowloon, Hong Kong.	Commercial	100%	64,709	64,709	150 years from 25 December 1898

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Purpose	Group's effective holding	GFA (sq.ft.)	GFA attributable to the Group (sq.ft.)	Lease Term
6	Units 14-15 on 17/F., Seapower Tower, Concordia Plaza, No. 1 Science Museum Road, Tsim Sha Tsui, Kowloon, Hong Kong.	Commercial	66.7%	4,284	2,857	For a residual term up to 30 June 2047
7	Whole building of 54 Wong Chuk Hang Road, Aberdeen, Hong Kong	Industrial/ Commercial	100%	62,992	62,992	75 years from 10 May 1965 renewable for a further term of 75 years
8	Office 1 to 6 and 21 to 28 on 20/F., Pacific Link Tower, Southmark, No.11 Yip Hing Street, Aberden, Hong Kong	Commercial	100%	11,438	11,438	56 years from 17 December 1991
9	Flat B on 9/F of Tower 5 and Cark Park No.53, Residence Bel Air, Island South, Hong Kong	Residential	100%	1,690	1,690	50 years from 22 May 2000
10	Flat A on 40/F of South Tower 5, Phase 2, Residence Bel Air, Island South, Hong Kong	Residential	100%	1,621	1,621	50 years from 22 May 2000
11	Flat B on 42/F of tower 8 and Car Park No.164 and 165, Residence Bel Air, Island South, Hong Kong	Residential	100%	2,180	2,180	50 years from 22 May 2000
12	58 units and 40 carpark spaces in Block B, Versailles de Shanghai, No. 123 Fa Hua Zhen Road, Lane 3, Changning District, Shanghai, the PRC	Service Apartment	62.83%	120,770	75,880	A term from 8 October 1992 to 7 October 2062

PROPERTY PORTFOLIO OF THE GROUP

No.	Property	Purpose	Group's effective holding	GFA (sq.ft.)	GFA attributable to the Group (sq.ft.)	Lease Term
13	56 deluxe villas and a clubhouse, Windsor Park, No. 2279 Hongqiao Road, Changning District, Shanghai, the PRC	Service Apartment	45.50%	178,956	81,425	A term from 26 July 1994 to 7 November 2062
14	Units A to F on 16/F., Tower II, Innoteck Tower, No. 239 Nanjing Road, He Ping District, Tianjin, the PRC	Residential	100%	8,620	8,620	A term from 25 July 1992 to 24 July 2062
15	Units 806, 807 & 808 on 8/F., Super Ocean Finance Centre, No. 2067 Yan An Xi Road, Changning District, Shanghai, the PRC	Commercial	100%	4,670	4,670	A term from 22 January 1997 to 7 March 2043
16	1/F. and 2/F., Block B, Versailles de Shanghai, No. 123 Fa Hua Zhen Road, Lane 3, Changning District, Shanghai, the PRC	Commercial	62.83%	6,276	3,943	A term from 8 October 1992 to 7 October 2062
17	Windsor Court, No. 2290 Hongqiao Road, Changning District, Shanghai, the PRC	Service Apartment	100%	189,518	189,518	A term from 5 April 1997 to 7 November 2062
18	Windsor Place, No. 2018 Jianhe Road, Changning District Shanghai, the PRC	Service Apartment	61.19%	391,273	239,420	A term from 23 June 1997 to 24 June 2067
				1,174,521	876,487	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Multifield International Holdings Limited (the "Company") will be held at 8th Floor, Multifield House, No. 54 Wong Chuk Hang Road, Hong Kong on Wednesday, 28 June 2006 at 3:30 p.m. for the following purposes:-

1. To receive and consider the Audited Consolidated Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 December 2005.
2. To re-elect Directors and authorise the Board of Directors to fix the remuneration of the Directors.
3. To appoint Auditors and authorise the Board of Directors to fix their remuneration.
4. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

"THAT:-

- (A) subject to paragraph (C) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to allot, issue and deal with shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (B) the approval in paragraph (A) of this Resolution shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (C) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (A) of this Resolution, otherwise than pursuant to (i) a Rights issue, (ii) the exercise of the subscription rights attaching to any warrants of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issue to officers or employees of the Company and/or any of its subsidiaries or other eligible persons of shares or rights to acquire shares in the capital of the Company, or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of the dividend on shares of the Company in accordance with the Bye-laws of the Company, or (v) any offer, agreement or option made or granted prior to the date of passing this Resolution, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval shall be limited accordingly; and
- (D) for the purpose of this Resolution:-

"Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and

NOTICE OF ANNUAL GENERAL MEETING

- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

“Rights issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares, subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised body or any stock exchange.”

- 5. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:-

- (A) subject to paragraph (B) of this Resolution, the exercise by the Directors of the Company during the Relevant Period of all the power of the Company to repurchase shares in the capital of the Company and warrants, if any, issued by the Company be and is hereby generally and unconditionally approved;
- (B) the amount of the securities of the Company which the Company is authorised to repurchase pursuant to the approval in paragraph (A) of this Resolution shall:-
 - (i) in the case of shares, not exceed 10% of the aggregate nominal amount of the share capital in issue as at the date of the passing of this Resolution; and
 - (ii) in the case of warrants, if any, not exceed 10% of warrants outstanding as at the date of the passing of this Resolution

and the authority pursuant to paragraph (A) of this Resolution shall be limited accordingly; and

- (C) for the purpose of this Resolution:-

“Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:-

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Bye-laws of the Company or any applicable laws to be held; and
- (iii) the date on which the authority given under this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

6. To consider as Special Business, and if thought fit, pass with or without amendments, the following resolution as an Ordinary Resolution:

“THAT conditional upon resolutions nos. 4 and 5 set out in the notice convening this meeting being duly passed, the general mandate granted to the Directors of the Company to exercise the power of the Company to allot and issue shares pursuant to resolution no. 4 set out in the notice convening this meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed conditionally or unconditionally to be allotted and issued by the Directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution no. 5 set out in the notice convening this meeting, provided that such an amount shall not exceed 10% of the nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution.”

By Order of the Board
Lau Chi Yung, Kenneth
Chairman

Hong Kong, 19 April 2006

Notes:

- (i) The Register of Members of the Company will be closed from 26 June 2006 to 28 June 2006, both days inclusive, during which period no transfer of shares will be registered.
- (ii) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (iii) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of the power of attorney or authority, must be lodged at the Company's Branch Share Registrar in Hong Kong, Tengis Limited, 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or the adjourned meeting as the case may be).
- (iv) An explanatory statement containing further details regarding resolutions nos 4 to 6 will be sent to shareholders shortly together with the 2005 Annual Report.